

CLIENT ALERT

Iran Petroleum and Petrochemical Designations

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The U.S. Departments of State and the Treasury recently sanctioned several individuals and companies for their involvement in transactions in Iranian petrochemical products or petroleum, signaling the U.S. government's continued intent to cut off funding for Iran's malign activities, including those of the Islamic Revolutionary Guard Corps-Qods Force's (IRGC-QF). This action was taken pursuant to Executive Order 13846, *Reimposing Certain Sanctions with Respect to Iran* (Aug. 6, 2018).

On March 18, 2020, the State Department imposed menu-based sanctions on seven entities for "knowingly engaging in a significant transaction for the purchase, acquisition, sale, transport, or marketing of petrochemical products from Iran." That same day Treasury's Office of Foreign Assets Control (OFAC) also imposed a mix of menu-based sanctions and blocking sanctions on these same entities. The sanctioned entities include one South African company, SPI International Proprietary Limited (SPI), three Hong Kong-based companies; and three Chinese companies. State and Treasury also sanctioned two other companies that "own or control SPI" and had knowledge of its activities, as well as three individuals who serve as executives for the sanctioned companies. While less restrictive than blocking sanctions, menu-based sanctions significantly limit a person's U.S. market access. Blocking sanctions freeze all property and interests of property subject to U.S. jurisdiction of blocked persons, as well as the property interests of companies in which blocked persons own 50% or more, individually or in the aggregate with other blocked persons.

The complete list of persons sanctioned by both State and OFAC are:

- South African persons
 - SPI International Proprietary Limited
 - Hossein Tavakkoli, Director of SPI International Proprietary Limited
 - Main Street 1095 Proprietary Limited
 - Reza Ebadzadeh Semnani, Director of Main Street 1095 Proprietary Limited
- Hong Kong-based persons
 - McFly Plastic HK Limited, Saturn Oasis Co., Limited
 - Sea Charming Shipping Company, Limited
- Chinese persons
 - Dalian Golden Sun Import & Export Co., Ltd.
 - Tianyi International (Dalian) Co., Ltd.
 - Aoxing Ship Management (Shanghai) Ltd.
- Iranian persons
 - Armed Forces Social Security Investment Company (an Iranian Public Pension)
 - Mohammad Hassan Toulai, Managing Director of Armed Forces Social Security Investment Company

In addition, on March 19, OFAC sanctioned five companies based in the United Arab Emirates (UAE) for their material support to the National Iranian Oil Company's (NIOC) sale of Iranian petroleum and petrochemical products. Treasury states that these five companies "collectively purchased hundreds of thousands of metric tons of petroleum products from [NIOC]." According to Treasury, at least three of these companies falsified documents in order to conceal the Iranian origin of these shipments, a fact that appeared significant to OFAC's decision to sanction them.

The persons sanctioned by OFAC are:

- Alam AlThrwa General Trading LLC
- Alphabet International DMCC
- AlWaneo L.L.C. Co.
- Petro Grand FZE
- Swissol Trade DMCC

Takeaways

- These actions show an increasing willingness by State and Treasury to impose secondary sanctions on companies outside of Iran that aid Iran's sales of petroleum and petrochemicals, including Chinese companies and companies based in the jurisdiction of U.S. allies.
- They also represent a continuation of the U.S. government's focus on the maritime sector. Over the last 18 months, the U.S. government has steadily increased pressure on all maritime actors, with a series of designations, advisories, enforcement actions, and public statements all targeting the sector. In 2020, this represents the second coordinated use of sanctions authorities by OFAC and State on ship management and vessel companies, building on the January 2020 designation of two COSCO affiliates relating to Iran.
- These designations highlight the potential risks even for those companies with no exposure to Iran. As the United States continues to designate vessels, owners, and managers, it is having an increasing effect on non-Iran related trade, particularly in Asia. Companies that are transacting with these counterparties (*e.g.*, as ship manager for a vessel trading in Southeast Asia) must now evaluate whether a continued relationship is permissible.
- Companies dealing in the maritime sector may wish to consider (a) "know your customer"-style analyses of counterparties, including vessels, vessel owners, and managers as well as (b) whether clauses in maritime contracts are robust enough to enable immediate suspension or termination of business in the event it becomes required by sanctions.

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